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FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 6270

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TRIPOLI

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C O N F I D E N T I A L SECTION 2 OF 2 VALLETTA 0771

TWO CONTRACT DISPUTES BETWEEN U.S. COMPANIES AND THE GOM MOVED SOMEWHAT CLOSER TO SETTLEMENT DURING THE QUARTER. IN MAY, GOM OFFICIALS MET WITH WESTINGHOUSE REPRESENTATIVES IN NEW YORK SEEKING A COMPROMISE, OUT-OF-COURT AGREEMENT SATISFACTORY TO WESTINGHOUSE, RATHER THAN RESORTING TO ARBITRATION (WHICH THE GOM OPPOSES). A WESTINGHOUSE OFFICIAL IS EXPECTED TO COME TO MALTA IN JULY TO PURSUE THE SUBJECT FURTHER WITH MINTOFF DIRECTLY. IN THE OTHER DISPUTE, ESSO REPRESENTATIVES VISITED MALTA IN JUNE AND SUGGESTED A SCHEME TO MINTOFF FOR THE GOM TO COMPENSATE ESSO FOR ITS REMAINING MALTESE ASSETS THROUGH REBATES ON TANKER-CLEANING SERVICES BY THE MALTA DRYDOCKS. THE GOM HAS TAKEN THIS PROPOSAL UNDER ADVISEMENT.

ALTHOUGH AFFECTED BY INTERNATIONAL RECESSION AND
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INFLATIONARY MEASURES, THE MALTESE ECONOMY DID NOT SUFFER ANY SERIOUS JOLTS DURING THIS QUARTER. TOURISM IS RUNNING WELL AHEAD OF LAST YEAR'S RECORD LEVELS, AND THE MALTESE POUND HAS GAINED IN RELATIVE STRENGTH AS THE BRITISH POUND STERLING HAS FALLEN ON THE INTERNATIONAL MARKETS. AS THE QUARTER ENDED, THE MALTESE POUND REACHED A RECORD PREMIUM OVER STERLING OF MORE THAN TWENTY PERCENT.

MALESTE BUSINESSMEN REMAIN CONCERNED, HOWEVER, ABOUT THE GROWING GOM IMPORT CONTROL SYSTEM DESIGNED

TO REDUCE MALTA'S LARGE TRADE DEFICIT BY RESTRICTING NON-ESSENTIAL IMPORTS AND ENCOURAGING THE SALE OF LOCALLY MADE SUBSTITUTES. SEVERAL EUROPEAN GOVERNMENTS HAVE MADE OFFICIAL PROTESTS TO THE GOM AGAINST THIS POLICY.

4. FOREIGN RELATIONS

MINTOFF, THE SELF-STYLED INTERNATIONAL STATESMAN AND WORLD TRAVELER, WAS OFF AGAIN SEVERAL TIMES DURING THE QUARTER. HE MADE A SUDDEN, ONE DAY TRIP TO LIBYA ON MAY 19 FOR DISCUSSIONS WITH PRIME MINISTER JALUD, DURING WHICH MINTOFF "CONFIRMED" HIS DECISION TO ALLOW THE PLO TO OPEN AN OFFICE IN MALTA.

MINTOFF MADE ANOTHER UNEXPECTED JAUNT TO THE MIDDLE EAST FROM MAY 29 TO JUNE 1, THIS TIME STOPPING IN EGYPT AND SAUDI ARABIA. HIS MAIN PURPOSE ON THIS TRIP MAY HAVE BEEN TO SEEK REASSURANCE THAT KING KHALID WOULD NOT CANCEL SAUDI ARABIA'S PREVIOUS OFFER TO EXTEND A FIVE MILLION DOLLAR INTEREST FREE LOAN TO MALTA.

ON JUNE 19, MINTOFF WAS ASKED BY HIS FRIEND QADHAFI TO SIT IN THE FRONT ROW DURING OFFICIAL CEREMONIES IN TRIPOLI MARKING THE "FIFTH ANNIVERSARY" OF "AMERICAN BASES EVICTION DAY." MINTOFF DUTIFULLY ATTENDED, AND HIS PRESENCE WAS PROMINENTLY REPORTED BY THE LIBYAN AND MALTESE PRESS.

IN CONTRAST, PRESIDENT MAMO MADE A VERY SUCCESSFUL STATE VISIT TO ITALY ON MAY 15-16, HIS FIRST OFFICIAL VISIT SINCE MALTA BECAME A REPUBLIC. THE PRESIDENT'S
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ACTIVITIES IN ITALY RECEIVED HIGHLY FAVORABLE COVERAGE IN MALTA, WITH PARTICULAR ATTENTION BEING GIVEN TO THE CLOSE HISTORICAL, CULTURAL AND ECONOMIC TIES BETWEEN MALTA AND ITALY. SUBSEQUENT TO THE VISIT, MINTOFF ANNOUNCED THAT THE ITALIAN-MALTESE TECHNICAL COOPERATION AGREEMENT WOULD BE EXTENDED FROM JULY 1975 THROUGH DECEMBER 1976.

MINTOFF SEEMED TO BE ENGAGED IN A NEW HOBBY DURING THIS QUARTER, THAT OF ADDING TO THE LIST OF COUNTRIES WITH WHICH MALTA HAS NON-RESIDENT DIPLOMATIC TIES. ARGENTINA, BRAZIL, AND QATAR WERE ACCORDED MALTESE RECOGNITION IN MAY AND JUNE. THE GOM ANNOUNCED ON JUNE 23 THAT KUWAIT WOULD OPEN AN EMBASSY IN MALTA, HEADED BY A CHARGE (THE AMBASSADOR WOULD REMAIN RESIDENT IN TRIPOLI).

EARLY IN THE QUARTER, MINTOFF WENT OUT OF HIS WAY TO

"CONGRATULATE" THE KHMER ROUGE AND THE PROVISIONAL REVOLUTIONARY GOVERNMENT OF SOUTH VIETNAM FOR THEIR "VICTORIES" IN THE CAMBODIAN AND VIETNAMESE CONFLICTS, MUCH TO THE EXPRESSED ANNOYANCE OF MANY MALTESE, INCLUDING THE OPPOSITION NATIONALIST PARTY.

AS THE QUARTER ENDED, MINTOFF WAS BUSY MAKING A NUISANCE OF HIMSELF AT GENEVA, BY INSISTING THAT THE CSCE ADOPT HIS SCHEME FOR PEACE IN THE MEDITERRANEAN.

5. BILATERAL RELATIONS

OFFICIAL U.S./ MALTESE RELATIONS WERE RELATIVELY QUIET DURING THIS QUARTER. SUCCESSFUL CONSULTATIONS WERE HELD IN VALLETTA ON APRIL 8 WITH THE GOM TO REPLACE THE U.S./MALTESE TEXTILE AGREEMENT WITH A NEW CONSULTATIVE MECHANISM, AS PROPOSED BY THE USG DELEGATION. THE EMBASSY WAS NOTIFIED ON JUNE 25 THAT A REVISED DRAFT TREATY ON DOUBLE TAXATION WAS BEING FORWARDED FOR FURTHER CONSIDERATION BY THE GOM, AS A FOLLOW-UP TO USG/GOM CONSULTATIONS HELD IN JULY 1974. THE GOM APPROVED THE SELECTION OF SUFFICIENT EXCESS PROPERTY IN GERMANY BEFORE APRIL 30 TO COMPLETE THE
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TWO MILLION DOLLAR EXCESS PROPERTY AGREEMENT. THE FINAL SHIPMENT OF EXCESS PROPERTY FROM GERMANY TO MALTA WAS SCHEDULED FOR LATE JUNE. THE GOM STILL HAS NOT IMPLEMENTED THE FIVE MILLION DOLLAR SUPPORTING ASSISTANCE LOAN, EVEN THOUGH THE EMBASSY HAS REMINDED THE GOM ON A NUMBER OF OCCASIONS OF THE RAPIDLY APPROACHING EXPIRATION DATE OF THE LOAN AGREEMENT.

THE ANNUAL MALTA TRADE FAIR OPENED AS THE QUARTER ENDED, WITH THE EMBASSY'S PAVILION BEING ONE OF THE FOREIGN GOVERNMENT EXHIBITS. SMITH

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